

State of the Union: 'An Era of American Renewal'

Text of President's Message to Nation on the State of the Union

WASHINGTON, Jan. 26 — Following is the text of President Reagan's State of the Union Message to a joint session of Congress today, as released by the White House:

Today marks my first State of the Union address to you, a constitutional duty as old as our republic. President Washington began this tradition in 1790 after reminding the nation that the destiny of this young nation was the "preservation of the sacred fire of liberty." It is finally staked on the experiment entrusted to the hands of the American people. For my friends in the press, who place a high premium on accuracy, let me say I did not actually hear George Washington say that, but it is a matter of historic record.

From this podium, Winston Churchill faked the free world to stand together against the onslaught of aggression. Franklin D. Roosevelt spoke of a day of infamy and a new nation to arms. Douglas MacArthur made an unforgettable farewell to a country he had loved and lost. Dwight Eisenhower reminded us that peace was purchased only at the cost of strength and justice. And he spoke of the burden and glory that is freedom.

When I visited this chamber last year as a newcomer to Washington, critical of past policies which I believe had failed, I proposed a new spirit of partnership between the Congress and this Administration and our state and local governments.

In forging this new partnership for America we could achieve the oldest hopes of our republic: prosperity for our nation, peace for the world, and the blessings of individual liberty for our children and, someday, for all of humanity.

Changing Face of Government

It is my duty to report to you tonight on the progress we have made in our relations with other nations, on the foundation we have carefully laid for our economic recovery, and on the bold and spirited initiative that I believe can change the face of American government and make it again the servant of the people.

Seldom have the stakes been higher for America. What we do and say here will make all the difference to auto workers in Detroit, lumberjacks in the Northwest, and steelworkers in Steelville who are in the unemployment lines, to black teenagers in Newark and Chicago, to hard-pressed farmers and small businessmen and to millions of everyday Americans who need the simple wish of a safe and financially secure future for their children.

To understand the State of the Union, we must look not only at where we are and where we are going but at where we've been. The past year of this time last year was truly ominous.

The last decade has seen a series of recessions. There was a recession in 1970, another in 1974, and again in the spring of 1980. Each time, unemployment increased and inflation soon followed. We were in a state of "stagflation" to describe this recession. To respond to these recessions was to pump up the money supply and increase spending.

Double-Digit Inflation
In the last six months of 1980, as an example, the money supply increased at the fastest rate in postwar history—13 percent. Inflation remained in double digits and Government spending increased at an annual rate of 17 percent. Interest rates reached a staggering 21½ percent. There were eight million unemployed.

Late in 1981, we sank into the present recession—largely because continued high interest rates hurt the auto industry and construction. There was a drop in productivity and the already high unemployment rate increased.

This time, however, things are different. We have an economy that is in place completely different from the artificial quick-fixes of the past. It calls for reduction of the money supply, an increase in Government spending, and already that has been cut nearly in half. But reduced spending is not enough. We've just implemented the first and smallest phase of a three-year tax rate reduction program designed to stimulate the economy and create jobs.

Already interest rates are down to 15 percent, but they must drop to 10 percent, and for the month of December it was running at an annualized rate of 5.2 percent.

If we had not acted as we did, things would be far worse for all Americans than they are today. Inflation, taxes and interest rates would all be higher.

Faith in Government

A year ago, Americans' faith in their government's process was steadily declining. Six out of ten Americans were saying they were pessimistic about their future.

A new kind of defeatism was heard. Some said our domestic problems were uncontrollable—that we had to learn to live with the seemingly endless cycles of high inflation and high unemployment.

There were also pessimistic predictions about the relationship between our Administration and this Congress. It was said we could never work together. Well, those predictions were wrong.

The record is clear, and I believe history will remember this as a time when American renewal, remember this Administration as an Administration of change and renewal. This Congress as a Congress of destiny.

Together, we not only cut the increase in Government spending nearly in half, we brought about a 10 percent tax reductions and the most sweeping changes in our tax structure since the beginning of this century. And because we indexed future taxes to the rate of inflation, we took away Government's built-in profit on inflation. And because we made it more difficult to raise taxes, we made it more difficult for Government to grow larger at the expense of American workers.

Together, after 50 years of taking power away from the hands of the people in their states and local communities we have started returning power and resources to them.

Together, we have seen the growth of new Federal regulations nearly in half. In 1982, there were 23,000 fewer pages in the Federal Register, which has new regulations, than there were in 1980. By deregulating oil, we have come closer to achieving energy independence and helped bring down the costs of gasoline and heating fuel.

Together, we have created an effective Federal strike force to combat waste and fraud in Government. In just six months it has saved the taxpayers more than \$3 billion, and it's expected to save more.

Together, we have begun to mobilize the private sector—not to duplicate Government and discredited Government programs but to bring thousands of Americans into a volunteer effort to solve many of America's social problems.

Together, we have begun to restore the American dream. The recession did not take. It lowered revenues and increased costs. To some extent, we are also seeing a new beginning, but we have only begun.

Inaugural Address Warning

No one pretends that the way ahead will be easy. In my inaugural address last year, I warned that the "ills we suffer have come upon us over several decades. They will not go away in days, weeks or months. But they can be done to preserve this last and greatest bastion of freedom."

The warning was difficult, but the program for economic recovery that is in place will pull the economy out of its slump and put us on the road to prosperity and stable growth by the latter half of this year.

And so I can report to you tonight that in the near future the State of the Union and the economy will be stronger than when they were first created. The strength to continue on the course we have charted.

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Two things, first, we must understand what is happening at the moment. Under the Department of Energy, we have a program for energy conservation, but it is not the product of the recovery program that is only just now getting underway.

Second, because our economic problems are deeply rooted and will not respond to quick political fixes, we must look to our country's future for recovery. That plan is based on four common-sense fundamentals: control of the money supply, a balanced Federal spending, preserving the individual and business tax reductions that are now in place, and removing unnecessary Federal regulations to spark productivity and maintain the health of our economy.

As I said in my inaugural address, the Federal Government is the "last and greatest bastion of freedom." The Federal Government is the "last and greatest bastion of freedom." The Federal Government is the "last and greatest bastion of freedom."

The only alternative being offered to this economic program is a return to the policies that gave us a trillion dollars of inflation and a trillion dollars of interest rates and unemployment.

The clock would have us turn back the hands of time and increase taxes to offset the deficit. But we have already passed by this Congress.

Raise present taxes to cut future deficits, they tell us. Well, I don't believe we should buy their argument. We have an economy that is in place completely different from the artificial quick-fixes of the past. It calls for reduction of the money supply, an increase in Government spending, and already that has been cut nearly in half. But reduced spending is not enough. We've just implemented the first and smallest phase of a three-year tax rate reduction program designed to stimulate the economy and create jobs.

As I now stands, our forecasts, which are based on the law of nature, will show major deficits, starting at less than \$100 billion and declining, but still too high.

More important, we are making progress with the three keys to reducing deficits: economic growth, lower interest rates and spending control. The policies we have in place will reduce the deficit steadily, surely and, in time, completely.

Higher taxes would not mean lower deficits. If they did, how would we explain that tax revenues more than doubled just since 1978, and that the six-year period we ran the largest series of deficits in our history. In 1980 tax revenues were \$100 billion less than in 1980 and we had one of our all-time biggest deficits.

Raising taxes won't balance the budget. It will encourage more Government spending and less private investment. Raising taxes will slow economic growth, reduce production and destroy jobs. It will make it more difficult for those without jobs to find them and more likely that those who now have jobs will lose them.

So I will not ask you to try to balance the budget on the backs of the American taxpayers. I will ask you to invest in the future of our country. I will ask you to invest in the future of our country. I will ask you to invest in the future of our country.

Together, we not only cut the increase in Government spending nearly in half, we brought about a 10 percent tax reductions and the most sweeping changes in our tax structure since the beginning of this century. And because we indexed future taxes to the rate of inflation, we took away Government's built-in profit on inflation. And because we made it more difficult to raise taxes, we made it more difficult for Government to grow larger at the expense of American workers.

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mental effort to improve and develop our depressed urban areas in the 1980's and 1990's. This legislation will permit states and localities to apply to the Federal Government for designation as urban enterprise zones. A broad range of special economic incentives in the zones will help attract new business, new jobs and new opportunities to the inner cities and rural towns. Some will say our mission is to save the enterprise. I say we must free enterprise so that, together, we can save America.

Some will also say our states and local communities are not up to the challenge of a new and creative partnership. That might have been true 20 years ago before reform like reapportionment and the Voting Rights Act. Today, this Administration has faith in state and local governments and the constitutional balance envisioned by the Framers. We also believe in the integrity, decency and sound good sense of grass-roots Americans.

Our faith in the American people is reflected in our major endeavor. Our private sector initiatives task force is seeking out successful companies and individuals in business, union, foundation and civic programs that help community needs. These groups are almost invariably far more efficient than government in running social programs.

We are not asking them to replace discarded and often discredited Government programs dollar for dollar, service for service. We just want to help them perform the good works that make the investments necessary for both peace and security. Our foreign policy must be rooted in realism, not naivete or self-delusion.

A recognition of what the Soviet empire is about is the starting point. Winston Churchill, in negotiating with the Soviets, observed that they respect only strength and resolve in their dealings with other nations.

That is why we have moved to reconstruct our national defenses. We must keep the peace—we will also keep freedom.

Promising Truth to World
We have made pledges of a new frankness in our public statements and worldwide broadcasts. In the face of a climate of falsehood and misinformation, we have promised the world a season of truth—the truth of our great civilization: individual liberty, representative government, the rule of law under God.

We have never needed walls, mine fields and barbed wire to keep our people in. Nor do we declare martial law to prevent our people from voting for the kind of Government they want.

Yes, we have our problems; yes, we are in a time of recession. And it's true, there is no quick fix to instantly end the tragic pain of unemployment. But we will end it—the process has already begun and we'll see its effect as this year goes on.

We speak with pride and admiration of that little band of Americans who overcame insuperable odds to set this nation on course 200 years ago. But our glory didn't end with them—Americans ever since have emulated their deeds.

We don't have to turn to our history books for heroes. They are all around us. One who sits among you here tonight epitomized that heroism at the end of the longest imprisonment ever inflicted on men of our armed forces. Who can ever forget that night when we waited for television to bring us the scene of that first plane landing at Clark Field in the Philippines—bringing our P.O.W.'s home. The plane door opened and Jeremiah Denton came slowly down the ramp. He caught sight of our flag, saluted, and said, "God bless America." Then thanked us for bringing him home.

Bravery on Potomac
Just two weeks ago, in the midst of a terrible tragedy on the Potomac, we saw again the spirit of American heroism at its finest—the heroism of dedicated rescue workers saving crash victims from icy waters. We saw the heroism of one of our young Government employees, Lenny Skutnik, who, when he saw a woman lose her grip on the helicopter line, dove into the water and dragged her to safety.

And then there are countless quiet, everyday heroes who sacrifice long and hard so their children will know a better life than they have known; church and civic volunteers who help to feed, clothe, nurse and teach the needy; millions who have made our nation, and our nation's destiny, so very special—using heroes who may not have realized their dreams themselves but who then reinvest those dreams in their children.

Don't let anyone tell you that America's best days are behind her—that the American spirit has been vanquished. We've seen it triumph too often in lives to stop believing in it now.

One hundred and twenty years ago, the greatest of all our Presidents delivered his second State of the Union Message in this chamber. "We cannot escape history," Abraham Lincoln warned. "We of this Congress and this Administration will be remembered in spite of ourselves." The "trial through which we pass will light us down in honor or dishonor to the latest generation."

That President and that Congress did not fail the American people. Together, they weathered the storm and preserved the Union.

Let it be said of this too, that we, too, did not fail; that we, too, worked together to bring America through difficult times. Let us so conduct ourselves that two centuries from now the children of Americans will be able to say, "We were here, we were good, we were brave."

Let me also note that private American groups have taken the lead in making Jan. 30 a day of solidarity with the Polish people. So, too, the European Parliament has called for March 21 to be an international day to support the Polish people. We will be peace-loving people to join together on these days, to raise their voices, to speak out for freedom.

Meanwhile, we are working for reduction of arms and military activity. I announced in my address to the nation last Nov. 13, we have pro-

ceeded to the Soviet Union a far-reaching agenda for mutual reduction of military forces and have already initiated negotiations with them in Geneva on intermediate range nuclear forces.

In those talks it is essential that we negotiate from a position of strength. There must be a real incentive for the Soviets to take these talks seriously. This requires that we rebuild our defenses.

In the last decade, while we sought the moderation of Soviet power through a process of restraint and accommodation, the Soviets engaged in an unrelenting buildup of their military forces.

The protection of our national security has required that we undertake a substantial program to enhance our military forces.

We have not neglected to strengthen our traditional alliances in Europe and Asia, or to develop key relationships with our partners in the Middle East and other countries.

Building a more peaceful world requires a sound strategy and the national resolve to back it up. When radical forces threaten our friends, when economic misfortune creates conditions of instability, when strategically vital parts of the world fall under the shadow of Soviet power, our response can make the difference between peaceful change or disorder and violence. That is why we have laid such stress not only on our own defense, but on vital foreign assistance programs.

Our recent passage of the foreign assistance act sent a signal to the world that America would not shrink from making the investments necessary for both peace and security. Our foreign policy must be rooted in realism, not naivete or self-delusion.

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